

**Senate Select Committee on  
California-European Trade**

**Senator Bill Emerson, Chairman**

***Identifying Trade Barriers for  
European Companies Seeking Entry into  
the California Marketplace***

**Tuesday, July 2, 2013  
California State Capitol, Room 113**

**SENATOR BILL EMMERSON:** Good afternoon. I wanted to advise you of one change in the order of presentations. Panel 3 will be actually Panel 2, sort of switching 2 and 3, so Panel 2 will begin at 2:10 and Panel 3 at 2:40. There are a number of deadlines that are occurring here in the Capitol and so some of our members will be in and out. I expect Senator Berryhill will be here for the full hearing shortly, and then Senator Walters is chairing Judiciary this afternoon, and Senator DeSaulnier is chairing Transportation. So they will come when their committees are over; the rest will sort of come in and out at the time.

But I'd like to welcome you today to our hearing on the Senate Select Committee on California-European Trade. Our objective today is to identify trade barriers that face European companies wanting to do business in California, and I'm sure everyone in this room knows Europe remains by far California's largest trading partner. In fact, last year alone, Europe purchased \$29.5 billion worth of California goods, 28 percent of which consisted of

products from the high-tech sector. Although California is home to hundreds of European firms of all sizes that currently support about 300,000 jobs in our state, public policymakers need to find ways to make California even more attractive for European companies to establish facilities in the United States.

Over the past four months, I've met with numerous European trading partners, both European consul generals as well as European trade organizations. And during those meetings, it's become very clear that obtaining visas for European executives and managers based here is an issue that simply needs to be resolved. Additionally, I've heard about the many difficulties European companies face with the California regulatory environment, particularly when companies that come here find it more difficult than in adjacent states and is more expensive to do business here.

These two important topics—visa difficulties and California's regulations—are the focus of our informational hearing today. They represent fundamental barriers to bringing more jobs to California and to making this state even more attractive to international firms considering expanding into the United States. We're pleased to have testimony today on these important subjects from over a dozen speakers representing both European consulate generals, as well as from several international trade and business organizations.

I'd like to invite our first panel to the table representing the Benelux countries, the consul generals of Belgium, Netherlands, and Luxembourg. In his capacity as both Consul General of Belgium, as well as the European Union

Chair for Southern California, Ambassador Rudi Veestraeten will begin as our first speaker this afternoon.

Mr. Ambassador, welcome to Sacramento and you may proceed.

**AMBASSADOR RUDI VEESTRAETEN:** Senator, thank you very much. Is this on? Yes. I guess I don't hear too well still.

Thank you for this very warm welcome, extremely warm welcome, I would say, in Sacramento today, warmer than we had expected when we planned this visit, but it has been a pleasure discovering how the Senate works and how the Senate is interested in the view of consulate representatives here in California, and so I think it is really an honor to be here today and to have this occasion to talk about what is our concern.

If I may, I will start with a bit of a broader introduction on the planned Transatlantic Investment and Trade Agreement, the TTIP, as we call it. It is a major effort the United States and Europe are going to do. The negotiations are supposed to start next Monday, July 8, so this is a big day to kick off the official negotiations. And I think that—on this, I this is the frame of what we are doing here, all of us, as Europeans, the European Union members. We try to broaden our presence here, our interests here, and to reach out to California in order to build stronger trade ties, stronger investment ties, and I think that this TTIP is going to be the Transatlantic Trade and Investment Partnership. This is really going to be the key to unlocking new opportunities.

So I'm just going to make three points about the TTIP—first point, what is really at stake; second point, is there room for improvement, without going

into too much detail; and then, third, can that be done? Can a TTIP be done; is it realistic?

First of all, some data on the EU as compared to the U.S.A. You know that the EU, the European Union, is a recent international organization. It's, in fact, more than an organization. It is a group of countries which comes together which created the Economic Union. It started only in '58. That is very recent. We have now 28 member states since, last, first of July, and we were celebrating that the last week in L.A. together, Senator. We are a total of 508 million people now in the EU. The U.S., 315 (million), if I am right on that number. So it is about, almost 1.5 times, a bit more, in population, while the size is much smaller. The EU is less than half the size of the U.S., so we are more densely populated with all advantages and disadvantages.

Now when you look at trades and GDP, the EU and the U.S. together, we represent almost 50 percent of the GDP of the worlds. That is 25 for Europe and 21.6 for the United States. These are enormous numbers. With only, I would say, about 800 million people out of 6-plus billion we are now in the world, we represent more than 50 percent of the GDP. And in trade, the EU represents 70 percent and the U.S., 13.5, so these are enormous numbers. We are key players in the world, as if we didn't know, but it's still good to remember that, to see what is at stake in this debate.

We have enormous trade numbers, between Europe and the U.S., direction U.S., it's \$345 billion a year; the other direction, \$287 billion. I

mean, these are enormous numbers. Of goods and services, we have equally high numbers, \$340 billion, \$335 (billion).

And, Mr. Miller, I can send you some, the numbers later, for your records, so I'll take care of that.

Trades and services and in goods, it represents about 15 million jobs, both in the U.S. and in the EU. These are really, this is really big for all of us.

Investment. U.S. investment in Europe is \$1,560 billion and almost the same, \$1,510 (billion) EU investment in the U.S. To put it into perspective, because these numbers are big numbers that always talk well, U.S. investment in Europe, in the European Union, is three times bigger than U.S. investment in all of Asia. That is, of course, China, Japan, India, Korea, but also all the other Asian countries, so three times as big in Europe than all of Asia taken together and all of Asia population that represents probably close to 3 billion or above 3 billion people. Now the EU investment in the U.S. is eight times higher than China and India combined. So these are really—this shows how strongly we are interconnected already, how much we do together on a daily basis, both on trade, in goods, trade in services, and in the field of investments.

I think these numbers, that that is really what is at stake. This relationship, this key relationship, we tend to forget, especially on the West Coast, looking west, further west, to Asia, which is fine, which is a necessity, but do not forget that the EU is your number one trading partner. When I hear someone saying that China is going to be, is going to overtake the U.S. as the biggest economy in the world sometime in the future—some people say that

that will happen and will become the first economy in the world—that's not accurate, in fact. The EU is the first economy in the world and the U.S. is second. And I think the good TTIP can maintain us in these positions, that but that's another story.

So what is the possible outcome of a TTIP if we do this treaty? What does it mean for our economies?

First of all, it would mean an increase of a half percent of GDP on both sides, which is enormous, because this half percent we gain just like that. On top of all the rest, we can realize in our economies, and this is forever. I mean, these are—every year, we will have a half-percent advantage, the two powers, the EU and U.S., in the economy. For each family in the U.S. and in Europe, it means an extra \$800 per year of disposable income, if you compute that on the population. For EU exports to the U.S., it means a jump of 28 percent. And for U.S. exports—it's the lowest fare in life, it is even higher—it's 37 percent. So the jump in exports to the EU from U.S., it would be 37 percent, and there is a creation of new jobs on both sides, of each of both sides, about 1 million-800,000 to 1 million new jobs. So that is what is at stake.

The real question is: Is there room for improvement? Are there things we can do together and where are they?

First of all, there is tariffs. We still have tariffs, not that many, and the average tariff is 4, 4.2 percent currently, where we have tariffs all computed, a little higher on the EU side, a little lower on the U.S. side. So I think, if we can do away with these even relatively low tariffs, the volumes are so big, the

volumes of our trade, that breaking down these tariffs will have a significant effect on the economy, and a positive, only positive. So in sectors where tariffs are still relatively high - in textiles, shoes, leatherwear, and so on - so I think we could do an effort there. But then apart from the tariffs, which is easy—in fact, it’s an easy win and it’s easy to do and you see the benefits immediately—there are also quite a number of regulatory issues at stake. And I think we can—that is also what we should also bring into the debates.

When we talk regulatory issues for the general public, people think of cars. We’re talking about your car. You’re going to bring it back to the Netherlands probably soon. But then the question is: Can that car be brought back because it was purchased here? You need to rebuild that car for parts and it costs you thousands of dollars. I won’t discourage you, but these are key questions for the general public—cars. Why don’t we have the same standards—services—in banking services, in insurance services, in accounting, you name it—food inspection and food-inspection procedures—medical products, wine and beer, which is dear to us—all three of us here, around this table.

Well, I think that in all these issues where there are regulatory hindrances to more trades, to easier trades, to cheaper exchanges, we need to develop a pragmatic approach. What can be such a pragmatic approach, I think, gets rid of the tariffs that’s self-evident but also gets rid of the useless red tape and then, in particular, keeps up the high standards. While we talk about bringing down the non-tariff barriers, as some people called it also, let’s

not reduce our standards to the lowest common standards. Let's work for the highest common standards and negotiate on that level. We both—I mean, the EU and U.S.—have very high standards in many fields. We have learned to do things right, so it should be easy to find common ground between these two sets of standards and work on that. An example, for the pharmaceutical industry would be to develop cooperation and inspection teams for laboratories. An example, in cars, why do we not develop common testing procedures as standards for security and then use each other's testing facilities? That can be done. We can work out common standards and norms. And if we can do that, this will have a major impact on the world.

Remember in the '60s, in the '70s—in fact, it start in the '50s—when the German, D-I-N, DIN-Norm, were world standards. That's how the world was organized back then. When I wanted to buy a tape recorder—on the advertisement of the tape recorder was written—this is according to the DIN standards and that was a guarantee for quality. If we can do the same, create a common standard, a common quality label, between the EU and the U.S. with common procedures and really identical where we can say this equals that, then we can turn that standard, turn that norm, into a world norm. And the other countries and the other nations will follow us. They will have to follow us because, if we set the standards with our impacts on trade, with our impact on investments and with our impact on standardization of international products, this will be something nobody can ignore.

So to conclude there, I believe that California has more to gain from the free investments and from a free trade agreement and an investment agreement than any other U.S. states and that is because of its nature. I think that California is a state par excellence and which is designed to benefit from such a free trade agreement. I think also that California is so advanced in so many terrains, that there are no downsides for the states in negotiating the TTIP. And as you know, in a more competitive environment, that's what we would create with TTIP, a more competitive environment, that the best always prevails—it's not for me to tell who is the best but you can guess—and that California should send a strong message to the Hill. That's my opinion also. That's what I believe about the TTIP. I think it's in the interest of the state to send that message to the Hill and to let them know that indeed this is something of benefit for the state of California.

So last question, Can we do this? Is this realistic? Is this something we really can realize? Can the EU and the U.S. finalize this TTIP? Because it's a time-limited thing as well. We need to work hard and fast. Can we establish these standards and these norms for the world to follow? Can we vote in the EU and in the U.S., overcome our typical protectionist mechanisms which are still deeply engraved in our regulatory systems on both sides of the Atlantic? And can we achieve—because that's the ultimate question—can we achieve more prosperity for the people of both our unions? And then the answer I had in the slide of this, those (inaudible) years, I have to show it to you like this, I

will not give the answer to these questions, if this can be done. I have better people than myself to answer that question.

This is one and this is the other, the president of the European Union, so for the people in the room, I think that the answer is loud and clear—yes, we can do that. Thank you.

**SENATOR EMMERSON:** Thank you very much. That was a very good introduction. You've raised some interesting questions and that's something I think we should certainly consider.

I'd like to introduce my colleague, Senator Tom Berryhill. Senator Berryhill comes from the California Central Valley so it's a large agricultural area in our state and he's a member of the Select Committee, so he will be here, I think, for the afternoon as well.

So our next presenter is the Honorable Georges Schmit and he's Consul General from Luxembourg, and I was in San Francisco last week and we celebrated Luxembourg Day. It was a wonderful event and thank you very much and you can make your presentation. Thank you.

**CONSUL GENERAL GEORGES SCHMIT:** Thank you, Mr. Chairman. It's a great honor for me to be here, actually the second time in three years that we're speaking before the Select Committee of the California State Senate so thank you for having us.

I've been asked to speak about the state of the Benelux-California Trade and Investment Relations. So I apologize. There will be a few more numbers, at least, orders of magnitude. But maybe a few words about the Benelux. I

mean, it's not just an addition of three countries. The Benelux was actually the first treaty that was created after World War II, actually. The war was not even finished, that in October 1944, the three countries sat together to create this new economic union with the aim of economic integration. It has played over the last 60, 70 years the role of sort of a precursor of the European Union and of the progress that the European Union has had. And today, it's kind of an experimental lab for future economic or European Union integration. Total population, order of magnitude, 27 million and a half, so we're moving towards the 30 million total population. The area is also the most intensely populated in the whole European Union.

Let's first put California-Benelux trade into perspective by taking a quick look at Benelux-U.S. trade in goods, and this excludes services, but services are a very important part of Benelux-U.S. trade, even though the numbers are not, not very good; but for a country like mine, trade in services is much larger than trading goods would be. Total trade in goods between U.S. and the Benelux countries, it's north of \$110 billion per year. So the U.S. are Benelux's first trading partner outside the European Union and Benelux is the U.S.'s number six overall and number two EU trading partner overall.

I'm going to Benelux-California trade in goods again, the Benelux welcomes more than \$7 billion worth of California goods, so total exports from California to the Benelux is north of \$7 billion so the Benelux is California exporter's number one destination in the European Union, the three countries taken together. Now trade, investment, they translate into jobs. Obviously, I

think that's a very important point in and of itself. Direct jobs of Benelux countries in the United States is over 500,000. So, that's jobs that have been created or maintained by Benelux companies that are established in North America, as far as those are concerned that are export induced. So if we estimate the number of jobs that are being induced by U.S. exports to the Benelux, we are getting even close to 600,000 jobs in the United States. So the Benelux is among the top three European job providers in the United States.

Looking at California, you just mentioned, I think, the number of 300,000, as far as the European Union is concerned. Direct jobs, again, Benelux companies are providing in California, to Californians, is a little bit more than 45,000. If we look at export-induced jobs, that is, if we look at the 7 billion exports from California to the Benelux countries, we are hitting a number of north of 60,000. So here again, Benelux countries are among the top three job providers from the European Union in California. If we look at the total number of jobs, the direct jobs, that are created by European or by Benelux country companies in U.S. versus California, the U.S. number is about 400,000 while the California number is getting close to 70,000. So, about 70,000 jobs provided by European investments in California.

Who are the major names? I think we should mention some of the major Benelux investors in California—Shell, Phillips, of course, from the Netherlands, Rabobank, ASML, Unilever, Solvay; from Belgian, Barco, as well; those who like cookies know, I'm sure, the brand of Lotus Bakeries. From Luxembourg, Skype is a major investor in California, together with Cargolux

International Airlines, that move out more than 500 tons of goods every week from Los Angeles to Luxembourg. Now this does not, of course, count the hundreds of small- and medium-sized companies from the Benelux countries in California.

So what are the maybe three takeaways from this short look at trade and investment relations between Benelux and California? I think the first one is that Benelux has an increasing and open, investment relationship with California, with a very high potential as an EU gateway into the European market. Benelux is also a privileged California trading partner with more potential to grow as well. And finally, Benelux and California should build on and continue, as it was just expressed by my colleague here from Belgium, continue to ease the barriers to trade and investment and refrain from introducing new ones. Thank you.

**SENATOR EMMERSON:** Thank you very much.

Our third presenter in this panel will be the Honorable Bart van Bolhuis who is the Consul General of the Netherlands who is a short-termer with us. He's on his way back to The Hague and, so, welcome.

**CONSUL GENERAL BART van BOLHUIS:** Thank you, Senator. (inaudible) the importance of the (inaudible) presence up here, also in job numbers (inaudible) are here for obvious reasons (inaudible) entrepreneurships, ecosystem of innovation, and that's why they are here; more in particular, of course, the California capital climate and the highly educated workforce, the best people from the whole of U.S., the whole of the

world, gathered here, but that's under pressure. Of course, there's a flip side and everybody likes to complain about California so we do that a bit as well and I don't have to tell you that's good. California is only number 49 on the list of the most profitable investment climates. I think New York surpassed it in the 50<sup>th</sup> place, if you look at more classical criteria of the investment climate, like regulatory environment, business calls to labor supply, economic climate, and gross prospects.

I would like to focus on the issues that Benelux companies, European countries, are facing in doing business coming over to California and I would like to mention issues on the federal level, U.S.-wide concerns on the state level, California state level, and some local and regional issues.

First, on the federal level, the first and foremost, of course, is the visa - are the visa issues and the visa process, more in general. And let me again underline the importance of the alien workforce here in California. Silicon Valley startups, more than half of them, are founded by non-U.S. citizens, and 40 percent of all U.S. Fortune 500 companies were founded by immigrants or their children, and many of the people on the sea level here in California have a European or non-U.S. background as well. So there are two specific issues on the visa front, in my opinion, no visas for startups and caps on the existing visa for high-skilled workers. But more in general—and every foreign investor will tell you the same story—it's the complexity and the transparent-ness of the process. The current process is too lengthy. It can take up to nine months to obtain a work visa, nine months, and it's rather unpredictable.

To give you an example of a Dutch company, medium-size company, ready to invest \$11 million here in California, but the founder was faced with a visa process that required him to wait for nine weeks in the Netherlands and it was very distracting and cost also some severe financial issues for her business. But to start a visa, the issue is the definition of the substantial investment needed. It's not quantified here in the U.S. but in practice, in excess of 200,000 U.S. dollars is required and it's not really needed if you start a business as a developer or a gain developer. There's no need to invest that amount of money. On the other side, for example, the Netherlands, quantifies the substantial investment only as 4,500 euros (or \$6,000) for this kind of startup. So there is a lack of reciprocity in this field as well.

And the vote last week in the Senate in Washington, of course, marked a major step in the immigration process. But looking at the startup fees, the proposal is not applicable to those who like to start a business here but do not intend to pursue financing. So there's still a lack in that package of proposals. So we seek continued California support in Washington on this field to enable non-U.S. citizens to invest capital here to create new jobs and to ...(gap in tape)... U.S.-wide issue on a federal level on straight restrictions to non-tariff barriers, and my Belgium colleague spoke about it a bit. It's an important factor. If you look to government procurements and a transparency of it, it isn't an issue. Transparency is an important factor. A lot of European companies have a feeling to be two steps behind U.S competitors. The whole

system of contracting and self-contracting is quite complicated, and there are still a vast number of protectionist legislation and regulations in the U.S.

To mention one, particularly harmful one: the Jones Act, the Merchant Marine Act of 1920. It requires that all goods that are transported by water between U.S. ports must carry a U.S. flag, U.S.-built ships, or owned by U.S. citizens and crewed by U.S. citizens. It's an issue for California and all cities that have to do with the cruise industry. They can call on only ports in the U.S. But to give you another example, during the BP Gulf spill, Dutch cleanup vessels weren't allowed to be used, and even the equipment had to wait for weeks before a waiver was issued. So that was particularly harmful not only for the industry but also for the environment.

The third issues that play U.S. wide, I would say, are systemic barriers of inefficiency and transparency, too many rules and regulations and over-unification of doing business. To give you another example, a Dutch company was dealing with the Port of Los Angeles and the Port of L.A. was very interested to acquire a product deployment of the company, but the company was told to comply with the OSHA, O-S-H-A safety standards, but the company made a lot of unsuccessful attempts to find out what its standards actually were and it was very difficult to even contact people at the agency and to find out and this process took multiple months; and in the meanwhile, the company wasn't able to respond to the request for the proposal from the Port of L.A. So it was not only a disappointment for the company but also for the Port of L.A.

Other well-known hiccups are in the fields for simple Social Security and numbers that are not eligible for people with L-visas; but more in a broader sense, the complexity of the judicial system, the liabilities, the litigation, the cost of insurance to cover risks, is a reason for many, even bigger companies for my country, when you think about engineering firms or firms in the field of clean tech, not to start business at all in the United States. And a number of laws and legislation and regulations on the state level in California adds extra risks and costs; and besides that risk, they're often duplicative and burdensome. Again, the lack of transparency regarding the process is an issue. It is often very difficult to find points of contact.

So, next to the volume of regulation: Complexity is added because of the number of layers of government which often have different and sometimes even contradictory regulations. For example, to the San Francisco Bay Area and the Los Angeles area, you find a nice patchwork of different jurisdictions, counties, cities, regional agencies who have mostly in common that they can do a lot of things to stop things from happening, but really rarely they have the position to put things forward and to push through.

Let me give you one example, in my opinion, a heartbreaking example of a Dutch consortium, talking with the city and Port of San Francisco about the introduction of electric water taxis and charging facilities. Again, the Jones Act that I mentioned before was a major concern here but also the Federal Energy Regulation Commission, and the license to build a test platform for the grid connection was a process that would take a few years. The U.S. Army Corps of

Engineers asked for a feasibility study and a process that could take up to five to eight years to deal with the Fish and Wildlife Coordination Act and a whole system of acts without streamlining and clear entry points. The total overview of federal agencies concerned in this specific case mentioned the Bureau of Land Management, a federal regulatory commission, the National Environmental Protection Agency, the National Marine Fishery Service, the National Marine Sanctuary, the National Oceanic Atmospheric Administration, the U.S. Army Corp of Engineers, the U.S. Coastguard, the U.S. Department of Energy, the U.S. Fish and Wildlife Services; and then to the state level—San Francisco Bay Conservatory and Development Commission—the BCDC—the California Coastal Commission, the California Coastal Conservancy, the California Department of Fish and Game, the California Energy Commission, the California Environmental Quality Act, the California Marine Life Protection Act, the California Ocean Protection Council, the California Office of Historic Preservation, the California Public Utility Commission, the California State Lands Commission, the Central and Northern California Observing System, the North Coast Regional Water Quality Control Board, and I won't mention the agencies of the city of San Francisco and the Port of San Francisco involved.

So it takes a lot of courage—and I don't mention the private-sector conservation and wildlife advocacy groups, including the Green Delta Alliance and the Marine Mammal Center and many others. It takes a lot of courage, I would say “Dutch courage”, to continue a process like this. And all individual agencies—governmental and nonprofit—are valuable and have valuable policies

and legislation. But together, together, it's just a burden too high, especially if you are the new kids on the block. And in our opinion, my opinion, it would be helpful to create one point of entry, one-stop shop government coordination office for those kinds of complex fields of operation.

I can give you some examples. In our country, in European countries, but also the state of Hawaii did some interesting things in this field, in the field of renewables. And, besides, the setup of a state taskforce to reduce the number of legislation and permits and red tape could be helpful. We did the same in our country with quantitative targets, 30 percent cut on permits and legislation. There was a lot of skepticism about it but it turned out to be helpful, and we like to do this in public/private corporations, make corporations and firms co-responsible for the process and not acting in a top-down process of legislation.

Let me conclude with two remarks—one about the whole field of environmental legislation and climate change, the cap and trade, for example, in California. We sincerely support the role of California in leading the pack in the U.S. on this field. We think it's great what California is doing and we'd like to support it in a lot of ways, like Dutch firms. You mentioned Royal Dutch Shell. They are a supporter of what's happening here; but at the same time, the Dutch companies face a lot of issues but in a way how the legislation is implemented, again on a rather top-down level. In our experience, it helps in sitting together with corporations to talk about it and to see how to implement it with a whole field of environmental planning and convenience is helpful, and

I had the opportunity to talk with the governor about it. My secretary of the Environment will be here in October and we hope to put this on the agenda.

Finally, if you talk with businesses, they all will mention the costs of doing business and taxation. This is a complicated area and, again, a lot of companies that are investing here because they want to be here and everything has its price and cost, I would say, and it's up to you, the legislators, of course, to find the right balance between the level of taxation and the services offered to the public and the corporations. The quality of the infrastructure, of course, is a very important one, not only the roads and the rails, but the grid, and the quality of government and that's what I like to put more central in this presentation, the real quality of government, to deliver (inaudible) and transparency of legislation is very important for entrepreneurs, but more specific, for foreign investors. Thank you.

**SENATOR EMMERSON:** Thank you very much.

I'd like to follow up on your comment about Dutch vessels were not allowed into the Gulf for cleanup in a timely manner, and that was based on the Jones Act of 1920...

**CONSUL GENERAL van BOLHUIS:** Right.

**SENATOR EMMERSON:** ...as well, so that those were all interrelated, the issues you meant there. Okay. Very good.

Senator, do you have a question?

**SENATOR TOM BERRYHILL:** Yeah, the only thing that you left out on all those regulatory agencies was a partridge in a pear tree because we got

everything else. But I'm just interested—California is infamous for all the regulatory agencies that they have and stuff. What specifically is one of the most burdensome regulatory hurdles that you've got to get over to do business here in California?

**CONSUL GENERAL van BOLHUIS:** Again, I would say it's the amount of permits and the number and the transparency, every individual permit can be tackled, I would say. But it's so difficult to find your way and you often need professional assistance, consultants, or others to help you in this and it's costly and time consuming as well. So it's very difficult to say it's this or that specific area but it's mostly the combination of it and how to find your way. It's very time consuming.

My colleagues, perhaps, might want to add something.

**SENATOR BERRYHILL:** Yeah. You know, there's many straws that will break a camel's back and it would be very nice to be able to have one-stop shopping to where anybody from—we're so global now—to be able to come in and make this a little bit simpler. We don't really do it. There's so many different stakeholders and you mentioned protectionism and all that stuff. It's all true and it happens all over the world. I think the more that we can do, things like this, where we can communicate and work together, everybody—and that's the people that live all over this world—are going to be way better off.

**AMBASSADOR VEESTRAETEN:** Yes, if I may, Senator, just a brief comment on this, as well as for the regulatory organizations and inspections

and so on is, of course, also valid for the visas because my colleague, Bart van Bolhuis, has rightfully mentioned that there is visa difficulties. Now in all these, what we states tend to do is to build new regulations, to build extra checks and balances, and to add layers and then we lose the overview. In the visas, it's a bit the same thing. Of course, visas, the system of visas is designed to warrant security, to make sure that only the right people come in and not the others. That is what it is meant for, is designed for, for all our countries.

Now where we in Belgium, and I think in the Netherlands as well, have worked on recently very hard is trying to find a way to do this in a pro forma way. That means, if you have an important businessman who wants to travel, he shouldn't wait for a visa. If you have a real investor who has real money up to put into a new startup company or another company, he shouldn't wait for even up to nine weeks to get his visa. So we have—there are two things, two elements there. One is the regulation of visas or other regulations, and the other one is the way you implement it, and I think there is room for improvement there if you were in the visa system and in many other systems where, with a smart approach of the process, a smart analysis of the process, you can make a big, big change.

If you go for a visa in one of our Belgium embassies or consulates general and you are who you present you are, you get your visa the next day. It takes 24 hours to get a visa, and the same for all three of us here. If you go to the U.S. embassy, except for very high-profile cases, but in a normal case, you go

to a U.S. embassy, you want a visa, it takes you at least a couple of weeks, at least—four, six, to eight weeks, two months—and then you add up and there is a paper missing. Because there is no sense in the whole system, no sense for the distinguishing between those who ought to come here in the interest of the U.S. as well and of the U.S. academy and those, of course, who should never come here. All these are treated the same way and that is probably not the right approach; so this is just from experience, from lessons learned. We had to adapt because we are smaller countries. We depend so heavily on these people coming to our countries and investing in our countries that we have no choice. The U.S. has a choice but then it still makes a difference, also for you.

**SENATOR BERRYHILL:** Is it easier in Canada, for example, to get visas than it is to get a visa here in the U.S.A.?

**AMBASSADOR VEESTRAETEN:** I'm sorry? If you're in Canada?

**SENATOR EMMERSON:** If you're in Canada, versus United States, is it easier for you to get a visa in a timely manner?

**AMBASSADOR VEESTRAETEN:** I have no experience with Canada.

**CONSUL GENERAL van BOLHUIS:** I didn't know but I hardly can think that it is more difficult. But the thing is that we compete with each other as well. It's one of the reasons that we want to try to...

**AMBASSADOR VEESTRAETEN:** (inaudible). (Laughter)

**CONSUL GENERAL van BOLHUIS:** You know, we can allow us to have these lengthy procedures; otherwise, they will go to Belgium, to Luxembourg, and to the UK. And a lot of—I think on the federal level, there is the need so

far, it felt so far of the need for competition for the U.S.—everybody wants to be in the U.S. But as you are more and more in the field of globalization and competition, I think this is important as well.

Another thing that I want to mention, again, the number of legislation and new legislation over legislation. And even if this legislation is an improvement, companies will tell us that, you know, they find their way, how to deal with assisting legislation and permits. And when it's changing all the time, it's very difficult for them to react. From the perspective as a government, often you think, well, let's make a better one, a new one. For entrepreneurs, the stability and the transparency is often the more important aspect.

**SENATOR EMMERSON:** I have a final question here. Do you have more problems obtaining an H-1B visa or an L-1 visa for — or does it matter?

**CONSUL GENERAL van BOLHUIS:** It's different. Of course, the H-1B, the problem there is the quota so the number of visas that are issued. The L-visa is in the process, a very difficult one. For us, the E-visa, the E-2 visa, and the investment visa is often the more practical way because that's also in the framework of the bilateral, bilateral agreement between the, in our case, the U.S. and the Netherlands. So it differs from visa to visa, what the complexity is.

**SENATOR EMMERSON:** So the timing is based on the type of visa?

**CONSUL GENERAL van BOLHUIS:** That's correct.

**SENATOR EMMERSON:** Well, thank you very much, I appreciate your presentation and coming up to Sacramento on this wonderfully warm day, and

I know two of you are from San Francisco and one's from Los Angeles so I know you know about a little heat as well. Thank you so much. We appreciate your being here and looking forward to working with you some more. Thank you.

Our next panel will be The Honorable Mauro Battocchi and the Honorable Julius Anderegg.

Mr. Battocchi is Consul General of Italy and he's located in San Francisco. Mr. Anderegg is Consul General for Switzerland and he's also located in San Francisco. You may present. Thank you.

**CONSUL GENERAL MAURO BATTOCCHI:** Should I start?

Thank you very much, Senator Emmerson and Senator Berryhill. It's a pleasure to be here. I'm very honored.

The Italian government is committed to the success of this Transatlantic Trade and Investment Partnership that my Benelux colleagues talked about and so it is, we think, very important in the state of California, stands for the success of this important negotiation.

What I will say has both federal and state, an impact because of the federal regulations and state regulations. And anyway, we believe that the state of California can probably help also, have its voice heard in Washington, D.C., to make things more smooth and easy for trade and investment on both sides of the Atlantic.

Well, the first step, of course, should be talking about the duties, the fact that, yes, we have relative low duties between Europe and the United States. It's around 4 percent on average. We as Italians, we complain about some

peaks, like on jewelry, something like 6.5 percent. The point is that the volume of trade is so large that every tariff we remove, it will result in millions of dollars in Euros of savings that can enhance the competitiveness of our economies. Also, some of the trade happens within the same companies. For instance, car parts sometimes cross the Atlantic more than once and components and the finished products, so that means that tariffs are paid twice, so tariffs shouldn't be underestimated as a trade barrier and of course this is one of the objectives of the TTIP.

Anyway, tariff is just the beginning of the problem. We really believe that we could achieve tariff-trade facilitation rather easily. That means streamlining and coordinating the procedures and controls that govern the movement of goods across national borders. Italian companies are mainly small and medium and they told us that they incur business costs, like delays and associated time penalties, loss of perishable goods, and foregone business opportunities as a direct function of lengthy border checks.

We are told that border checks have become more stringent and slow here in California in their recent years, and we know that the FDA and USDA take a very long time to examine food products. Sometimes Customs authorities carry out arbitrary controls, one undercarriage manufacturer, Berco, B-e-r-c-o, told us that they had health inspections on the export of steel components. Customs authorities also seem to overlook the impact of financial burdens that are imposed upon goods in transit for insurance purposes and as a guarantee for tariff payment storage.

So I think we should devise solutions that allow goods to flow smoothly through Customs within certain time-frames, possibly with the creation of one-stop shops, both here, of course, and in Europe, that may collect and process within definite timelines, all information required from the importers. Trade facilitation should go hand in hand with harmonizing or mutually-recognizing technical regulations, standards, and certifications, the so-called *behind-the-border* measures, where diverging rules create obstacles. Of course, it's human nature to think that your set of rules is the best - our set of rules is the best. I think it's both. It's time for both of the U.S. and the EU as mature economies, with sophisticated regulatory frameworks, to ask ourselves how we can improve the way we work together to benefit people in businesses in both continents.

We have to extend as much as we can the range of products and sectors where we can accept each other's standards or products that are equally safe, although they may have been produced according to different rules. We also have to define equivalent standards, harmonize our present standards and, in the future, work together to create transatlantic standards, starting from the outset. That can definitely be the building block toward international standards on a high level, on a strict and high safety level, as our Belgium colleague was telling us.

As you know, these days, for example, the FDA does not recognize lab tests carried out in Italy on food products so they have to send inspectors to Italy. Italian exporters also complain about the USDA's lengthy processes of

approval for some products like—I don't know—some kinds of cured meat; it takes three to four years.

Car safety is another example. Of course, it is very important in America, like it is in Europe, and we should try to find ways to align our systems and recognize each other—I mean, the other one's standards—to cut costs without compromising on car safety. Now we are going towards new, different technical standards; and I heard, for example, that on farm machinery, construction machinery, we are going towards different standards to reduce emissions. Why not try and go in the same direction with harmonized standards?

Moving onto the field of public procurement, Italian companies note that they cannot compete for public procurement in the U.S. unless they have a U.S. partner or a U.S. branch. The *Buy American* clause and other local content prerequisites are restricting the ability of Italian companies to compete, more than the U.S. companies are actually in Europe and in Italy. Also, the request of performance bonds on 100 percent of the projects, against 20 percent in Europe, is an obstacle. Performance bonds, you know, is the surety bonds issued by an insurance company or bank to guarantee satisfactory completion of a project by a contractor. So we believe that the new business opportunities can be created by opening up access to government procurement markets, both at the federal and a state level without discrimination for European companies.

We are still far away from the liberalization in the service sectors. European and American companies are global leaders in many service sectors, from distribution to telecommunications, but we're still far away from opening our service markets, like in the transport sector. Our Dutch colleague told us about the Jones Act and I would like to mention this is a very critical issue. As you know, this requires that all goods transported by water between U.S. ports be carried in U.S. flagships, constructed in the U.S., owned by U.S. citizens, and crewed by U.S. citizens and U.S.-permanent residents. So obviously here, this is a way to support the U.S. maritime industry and the question is whether this regulation was probably meaningful, to some extent, in 1920. Is it still meaningful today?

The visa issue is very critical and it is for companies that want to establish branches here for the inflow of professionals coming from Italy and other European countries, so definitely we don't have ready-made solutions. We do hope that the new laws on immigration will make it more easy to accompany this flow of goods with a flow of people. People-to-people relations in general are very important, and this TTIP should be implemented with an eye on making it really more easy for European and American professionals to move across the Atlantic.

Finally, in the field of intellectual property, the Italian government is concerned with the damage for Italian companies stemming from Italian-sounding products, meaning, products which are marketed and named in such a way as to sound Italian, having some features of the original brand,

but not originating in Italy. These cause considerable economic damage to Italian-made products and Italian, so-called “registered designation of origin”, RDO, and “protected designation of origin”, PDO, products. They are also harming Italy’s image, to some extent, in relation to the culinary excellence of some Italian territories. Of course, the U.S. and Canada prefer to protect registered trademarks rather than geographical indications and designations of origin. So this has led to some absurd situations, like a fake Canadian Parma ham. A Canadian company has registered the trademark, Parma, so the real Italian Parma ham is sold in Canada under another name, “Original Ham”, while the fake Italian product, the Canadian ham, is sold under the name “Parma Ham”. We hope, that within the context of the TTIP, this issue will also be brought up because we have to be very flexible on intellectual property, the more we move towards a truly unified global marketplace.

Summing up, I think that trade relations between Italy and the U.S. and Italy and California are very important. We can do more and we can do better also to make this trade be turned partially into investment on both sides, and this requires the state of California to help us in Washington, D.C., and to listen to our complaints when we knock at your door asking, begging for your attention.

**SENATOR EMMERSON:** Thank you.

Mr. Anderegg, you may proceed. Thank you.

**CONSUL GENERAL JULIUS ANDERGG:** Thank you so much, Mr. Chairman, for the opportunity to speak. Also, thank you very much, Senator Berryhill, for your interest.

It may sound a little bit peculiar to you, and I don't blame you if you smile occasionally when I compare the big economy of the United States with small Switzerland, but I will have to do something of that as I go along but I try to be brief. Now one thing that I always really love to see is, you know, that in all these international ratings, when it comes to competitiveness and innovation, small Switzerland and the United States have a tendency of being number one or number two, alternatively. It is, for me, very interesting ranking competitiveness and innovation, and we are very proud of that.

We have no raw materials in Switzerland, except water, which is important, of course, but we have a very strong emphasis on the protection of intellectual property rights, and here we have one point where I really see in my 32 years as an economic diplomat, it has always been very rewarding also in the multilateral field, how strongly we cooperate with the United States in this field, be it in the WTO, be it in the WIPO, World Intellectual Property Organization, or in other forums. Actually, I try not to speak about cheese and chocolate here, but in reference to the Parma cheese, we have actually a similar problem there, you know. Swiss cheese has become a generic term. That is a small problem for us because, contrary to popular belief, all Swiss food exports, including chocolate and cheese and everything else, make only about 3 percent

of our total export volume and so this is—but we are very happy to live with the clichés, and we love our cheese also.

We have a very high level of research and development spending in our economy. Here again we have a good, let's say, similarity with our big sister Republic, the United States. Where we diverge a little bit—and I'm talking about innovation and talent now—is that we are very happy that we, in our country, we offer a top university education, almost free of charge, to people with talent and that, I think, is one reason, we believe, for our economic success story. We're living in an international competition for talent. I think we all agree on that and that is, by the way, one of the key reasons why you will see in my next paragraph, “mental” paragraph, why we have so - the Swiss economy - have so strong direct investments in the United States, and, particularly, in California.

By the way, in my team in San Francisco, in addition to the traditional consulate diplomatic functions, I have a team of 20 people, which is a lot for us, dealing with science and education. It's a team of roughly 20 people connecting the dots and networking in science, technology, research, and education. We have such teams only in five places worldwide—one in Boston, one in San Francisco, one in Singapore, one in Shanghai, and a new one has been established in Bangalore, India.

Now, we're a small country, and when it comes to foreign direct investments, we are among the key players, if I may say so. We are, in the United States, we have now a cumulative total of Swiss direct investments in

the U.S. economy on a historical cost basis of roughly \$212 billion U.S. dollars and that brings us, small Switzerland, into the fifth position, according to our current data. Actually, Swiss foreign direct investments in the United States was the highest of any country in the years 2001 and 2010. As you know, that, of course, goes up and down and that has to do particularly in 2010 with one specific big direct investment in the largest biotechnology firm in the world which happens to be Genentech in San Francisco. So these figures are always, you know, have to be interpreted.

When it comes to jobs created by these direct investments—now these data are now from the U.S. Department of Commerce. We have slightly different figures, but roughly the same Swiss direct investments in the U.S. economy stand for roughly 430,000 jobs. There are speculations on what that would mean also if you take the indirectly created jobs, there is a figure of 1.6 million. I would be a little bit careful with those figures, but these are the figures that are mentioned in all these statistical data. Major employers in the United States, Swiss companies—so you have, number one, Nestle, the food group - 50,000 jobs, a little bit more; insurance, Zurich insurance, 27,600; UBS, 24,400; Roche Pharma, 22,000; Novartis Pharma again, pharmaceuticals, with 20,500 jobs; then the technology group, ABB, 14,500; and Credit Suisse, 10,000 jobs. And interestingly, most of these jobs, among all states in the United States, have been created in California - California, followed by New York, with roughly half the number. In California, we have come to about 61,300 jobs created directly by Swiss investments.

We have in this booklet, which I will hand over to you, if I may, you will find also a statistical calculation on the salaries paid by Swiss companies in the United States. To say these salaries are high, relatively speaking, we have calculated that the average salaries to affiliate employees in the United States of Swiss companies in 2009 has been, average, \$95,200, and that places actually Swiss employees in the number one position of foreign-owned employers.

While I also have a data figure here on major foreign holders of U.S. Treasury securities, I don't think this is so relevant so I skipped that. Trading goods for us—you know, when it comes to trading goods, you know, who buys what from whom and who we're selling to whom, these data for us are a little bit secondary by now. We are—I say this, of course, for a reason because we are only number 15 when it comes to trading goods with the United States — but I would like to actually, to reinforce one more cliché, but it's factual — if you look at exports from the United States to Switzerland, the number one commodity actually happens to be gold - gold, g-o-l-d. Raw material, it's shipped to Switzerland for refining and quality certification. When it comes to importations into the United States of goods from Switzerland, number one, pharmaceuticals, clearly, pharmaceuticals, not chocolates, no chocolate. Well, there are chocolates but not that much.

Problems? I think—you know, the main problem, if you look at trading goods between Switzerland and the United States, I have to say is self-inflicted by us, namely the huge challenge that we face through our expensive currency,

the Swiss franc. We cannot blame anybody else for that. But, you know, it's a little bit of an irony in it. You know, it looks, if you have your household in order and public spending under control, somehow you are punished by an expensive currency. And I tell you, for our exporters, this is a huge challenge. The benefit—and this is not the first time we see that—we have seen this many times over the past decades—the benefit that we have observed over the years is that it forces us to aim for the best possible productivity. So it's a little bit like a training camp. To have to live with an expensive currency puts you in good shape during the normal years.

Also, I don't want to repeat what my colleagues have already reported. It's just for our small- or medium-sized companies, it's difficult to deal with the complexities of U.S. regulation. In the food area, we see difficult regulation. Somehow, we manage. I still find Swiss cheese on these magazines here and also, by the way if I may say, I'm a great fan also of the cheese produced in the Sonoma Valley. When I go to these wine-tasting sessions in the Sonoma and Napa Valley, I am really happy to see the great creativity by California cheese makers here, so let's look at the positive side of this. So actually we are dealing with non-tariff barriers here which is actually, I think, good news.

I think I'll stop here. And if I may take the liberty of leaving you a nice colored booklet with all the relevant data, so I can stop here.

**SENATOR EMMERSON:** Thank you very much. We appreciate the fact that you've taught us how to make cheese here in California, so we do appreciate that.

I just have one question. Do you have a situation on visa problems between other countries in the EU and in Europe and such? Have you reduced those barriers because of the EU?

**CONSUL GENERAL BATTOCCHI:** The question is...

**SENATOR EMMERSON:** Getting visas, work visas, to go from one country to another. Have you relieved that?

**CONSUL GENERAL BATTOCCHI:** Within the EU?

**SENATOR EMMERSON:** Yes.

**CONSUL GENERAL BATTOCCHI:** Within the EU, there's no...

**SENATOR EMMERSON:** There's no barriers?

**CONSUL GENERAL BATTOCCHI:** (Inaudible) So you can imagine, the more the European Union has become integrated, the more that they say, the normal barriers with the U.S. have become obvious and problematic. (inaudible), of course, more cooperation. So the fact that the U.S. and Europe don't have any real special agreement on movement of people without having bad news...

**SENATOR EMMERSON:** So how do you deal with that issue between, say, Switzerland and Italy? Do you have a visa issue there or...?

**CONSUL GENERAL ANDEREGG:** Maybe I can respond to ...(microphone off)... first priority of the members of the European Union (inaudible) citizens as a priority when it comes to work permits in Switzerland, and that makes everything outside the European economic area a little bit more challenging. We would love to have more flexibility when it comes to (inaudible) in the

United States. (Inaudible) are the work permits that are coming into American, qualified American citizens, and I see people from Google; I see people from Genentech. I see all these all high-technology people. I see university professors, students going back to schools. And, of course, I like to see that; I like to see that. But since we give priority to (inaudible), applicants, sometimes we are (inaudible) figures (inaudible) for the remaining countries in the world and there is room for improvement there.

**SENATOR EMMERSON:** I was just wondering if there's a potential model for the United States with EU nations based on your relationship with EU and how we could take a look at that as a potential model for further movement of individuals. Thank you.

You want to respond to your neighbor?

(microphone off)

**SENATOR EMMERSON:** Thank you very much, and we'll go onto our next panel. We appreciate your comments and we've got some good information here and thank you very much for attending today.

Our next panel will be the Honorable Priya Guha who is Her Majesty's Consul General from the British Consulate General Office in San Francisco; Ms. Fiona Francois, who is with United Kingdom Trade and Investment from Los Angeles; Mr. Colin Brown who's the president of the British American Business Council in Northern California—he's located in San Francisco; and Mr. Michael Ryvin—he's Of Counsel with E & M Mayock in San Francisco. So I'll let you proceed. Thank you.

**CONSUL GENERAL PRIYA GUHA:** (Microphone off) Thank you, Senator Emmerson, Senator Berryhill, Ray. It's a real pleasure to be here amongst (inaudible) and Colin Brown from the British American Business Council and (inaudible) who are a member of the British American Business Council here in California.

Thank you for inviting me to speak at this informational hearing of the Senate Committee. In doing so, I am also representing my colleague, Dame Barbara Hay, the British Consul General in Los Angeles who represents the British government in Southern California.

I am accompanied by Fiona. Fiona is the regional director for the UK Trade & Investment Corporation here in the West Coast in the U.S. UK Trade & Investment is the branch to the British government that helps UK-based businesses succeed in the global economy and assist overseas companies to bring high-quality investment to the UK.

First, a few words about where the UK fits into the general U.S. trade and investments picture. I apologize in advance for providing these statistics. Against the backdrop of recession, the economic relationship between the United States and the United Kingdom remains largely unchanged. The U.S. and the UK continue to be the largest overseas investors in each other's economies. The UK is the largest foreign investor in the U.S. with \$406.8 billion invested in the U.S. at the end of 2012, representing 18.4 percent of all foreign direct investment in America. UK investment in the U.S. is 94 times

that which China's invested, 94 times that which India has invested, 135 times that which Brazil has invested.

In 2012, the UK was the U.S.'s fifth largest trading partner overall with \$112 billion in goods-and-services exports and largest trading partner in the EU. Over 5 percent of U.S. exports overall went to the UK, an impressive portion for a market representing less than 1 percent of the world's population. Back here in the U.S., affiliates of UK companies quote an estimated 980,000 American jobs in 2012. The UK is the second biggest foreign investor in California and the second biggest foreign employer supporting 78,500 jobs right here in California.

California itself exported \$4.3 billion of goods and services to the UK in 2012 which represents 2.7 percent in California's overall exports. The UK is the state's tenth largest export destination. Computers and electronic products are the largest California exports open to the United Kingdom of \$1.3 billion. Rounding out the top four export segments are transportation equipment, machinery, chemicals, and beverages and tobacco products. California imported \$4.1 billion into the UK in 2012, 1.1 percent of overall imports. As you see, this represents a very balanced trade relationship. It is difficult to quote a figure, the number of British companies and affiliates in California, but there are hundreds, ranging from small companies with one or two employees, to those employing several thousand. I have chosen some of the larger UK investments from across the range of activities to demonstrate the broad reach

of British investment to this date. Unfortunately, not all of the job numbers are easily accessible but I have quoted where I can.

But firstly, on the small- and medium-size businesses, UK Trade & Investment helps around one company per month set up here in California. Examples include Mapparati, a digital mapping company in Newport Beach employing ten people; Broadbean, a recruitment software firm in Newport Beach, employing 50 people; Brightsolid, an online genealogy company at Venice Beach, employing 20 people; Huddle, a cloud computing company in San Francisco employing 40 people; BrightPearl, a back-office solutions company in San Francisco that recently set up and is growing steadily. All these companies started with one to two people right here in California and grew organically.

On the other side, a number of the UK's FTSE 100 companies out here in California—Experian, the largest credit-rating company, an online market company, has its U.S. headquarters in Irvine, California, and employs more than 2,000 people. The BBC has 300 people employed in Los Angeles working on original content and scripted shows like Dancing with the Stars and Top Gear. ITV helps source content from Los Angeles to the UK, and vice versa, and has around 20 people in Los Angeles. Rio Tinto has its boron mine, formerly the U.S. Borax Boron Mine in Boron, California. It is California's largest open-pit mine and the largest borax mine in the world, producing nearly half the world's borates. All reserves are sufficient production through at least 2050. Cunard runs its U.S. cruise ship headquarters out of Ventura and

employs 100 people and thousands in its supply chain by running their cruises from Long Beach, California. Diageo owns vineyards and wholesale operations in California. Johnson Matthey has a large medical device operation in San Diego, California. Vodafone acquire AirTouch for \$60 billion in 1999 and then took a 45 percent stake in Telecom's operator Verizon in 2000. Vodafone, as you know, is the world's largest mobile communications company. BAE Systems, the world's second largest defense contractor, sells more products to the Department of Defense in the U.S. than it does to the UK's Ministry of Defense. Although a UK company in the U.S. it operates as a U.S. company. Its U.S. subsidiaries are governed by American executives under special security arrangements. And in California, the BAE has a number of facilities with a particular focus on San Diego.

There are a number of other UK defense companies in California, Smiths Group with 250 staff; GKN, 2,500 staff; and Meggitt Defense Systems, with 2,000 people. ARM Ltd., a British semiconductor company, employs 500 people at its facility in San Jose; Merlin Entertainment, the U.S. private equity firm, Blackstone, controls a majority share in UK-owned Merlin Entertainment but the firm is based in the UK. Merlin owns LEGOLAND near San Diego and invested \$55 million to open a 40,000-square-foot Madame Tussauds attraction in Hollywood. There are a number clothing retailers that have opened stores in California, and some are expanding. Burberry has a growing retail, wholesale, and marketing presence in California and will soon open on Rodeo Drive. Top Shop has recently opened the first location in Los Angeles

and has plans for expansion. Other retailers include Ted Baker, Jimmy Choo, Paul Smith, Thomas Pink, Swythson, Vivienne Westwood, Barker Black and All Saints.

As mentioned, the range of activities is very broad and caters to the requirements of the top ten global economy. Clearly, a number of companies are attracted to California because of the availability of a creative and skilled workforce and because the business environment encourages innovation and is not risk averse. We talk about British companies based here, but it is equally important to note that our very large numbers of British citizens work in California because the business environment, no doubt, the living environment, suits them. It is difficult to visit any major U.S.-owned company without meeting British employees, often at very senior level. For example, Apple, Genentech, Gilead, IBM, Cisco, Allergan, Life Tech, Disney, and Oracle.

The committee asked what more California can do to attract British companies. The key is that California must avoid placing too many barriers in the way of investment. In general, companies find doing business in California rewarding and the potential huge which is clearly why so many are here, but there are a number of factors which come up in our discussions.

Firstly, cost: There is a high cost of doing business in California compared to other states, such as Texas, Nevada, Arizona, and Utah who all have lower tax rates and lower cost of living.

Unions: Companies which are non-unionized can find themselves the target of consolidated action, including three bills proposed to this legislature,

bills designed specifically to disadvantage them, compared to their competitors. Again, neighboring states, such as Nevada and Arizona, have much less union activity. However, this issue does vary from company to company, of course.

Immigration legislation: Business owners can find the U.S. immigration process in general, especially the green-card application process, challenging. There is great difficulty in getting access to top human talent due to the constrictions on the various visa programs. This is consistent for large companies, as well as SMEs. A specific example of this comes from Huddle, a London-based cloud computing company, who opened its first U.S. office in San Francisco. In particular, they have found the L-1 visa process unpredictable. One of Huddle's two cofounders had two L-1 visas denied in 2011. They came very close to shutting down their West Coast operation as a result.

It is worth noting also that the governors of other states have made visits to the UK and to Europe trying to attract FDI. California may want to consider doing the same. For example, the governor of Utah is visiting the UK just next week, a meeting with key stakeholders in business and in government. Three specific UK cases, which illustrate the barriers to business in California, are BP, BT, and Fresh & Easy.

Within the last few years, all three have either divested much of the assets or pulled their operations out of state: BP—British Petroleum—and BT—formerly British Telecom—are now headquartered in Texas, due to tax concerns, and Fresh & Easy is looking to make an exit after finding many

aspects of the California regulator environment extremely difficult. All companies continue to employ Californians. Fresh & Easy will sustain 5,000 jobs, even with their exit. Yet, it is clear that even these larger companies prefer to locate elsewhere rather than wrestle with the barriers present in the California market.

The regulatory environment represents an even larger hurdle to early-stage startups. British early-stage startups have told us how difficult it is to outsource the numerous and daunting administrative tasks and it therefore falls to the entrepreneur to navigate the bureaucracy, leaving less time to work on the business itself. While similar challenges apply to the U.S. at large, of course, California's costs prove to be particularly prohibitive to some businesses. Once more, a technology company in Northern California relocated to Nevada, touting the lack of state income tax and lower cost of living.

Another issue raised by British companies is free market access to contracts which both brings the best of global expertise to tackle California's challenges but also strengthens local competition, ensuring the Californian taxpayer gets best value for the money for their investments. A good example of this will, of course, be California's high-speed rail project where many foreign companies have expertise to bring to the table.

Finally, a specific issue often raised with us is the zero-emission vehicle mandate and how it impacts British car manufacturers. This California legislation is geared more towards Ford and GM who produce a larger, more varied fleet. But smaller and more high-end manufacturers, the restrictions

here will require much more spending per unit. It is our hope, however, that specific regulatory issues, such as this, can be resolved with the signing of the Transatlantic Trade and Investment Partnership between the U.S. and the EU.

There is no better way to boost trade than by concluding negotiations on a landmark Transatlantic Trade and Investment Partnership between the European Union and the United States. The benefits could be huge. Our estimates suggest that an ambitious agreement would be worth up to 2 percent of additional GDP on both sides of the Atlantic. This translates into around \$650 billion, roughly equivalent to the whole economy of my colleague from Switzerland. Is he still here? (Laughter) - Switzerland.

For California, early findings indicate that this agreement would increase Californian exports to the EU by over 25 percent and could create 65,000 new service-sector jobs right here in California. To produce such a big impact, of course, the deal would have to include not just across-the-board elimination of tariffs, with exceptions held to an absolute minimum. It would also have to include meaningful action to bring our regulatory systems into line with each other over time. We believe an all-inclusive deal could add as much as \$157 billion to the EU economy, \$125 billion to the U.S. economy, and as much as \$133 billion to the rest of the world, in addition to adding millions of jobs to the world economy.

TTIP will be about trade and services as well as goods. Reducing barriers will bring down the cost of these services and boost the economy. There are also huge gains to be found in negotiating towards coordinated regulatory

standards for emerging industries, like IT and biotech, industries very prevalent right here in California, and towards more regulatory coherence in sectors such as financial services. TTIP will go a long way towards addressing these issues and California is well placed to support it at the national level.

I hope you have found this information helpful to your inquiry, and I might pass to my colleague Fiona.

**MS. FIONA FRANCOIS:** Thank you, Priya.

Just to add a few comments on UK Trade & Investment specifically in our role in supporting British companies to export. UKTI globally has been touted with doubling the number of SMEs that we have as our clients so that we will be serving the number of 50,000 companies to export by the year 2015. California plays quite a large role in servicing those companies. We have two teams in California, which is quite unique, for consulates. We have Priya's team in San Francisco and Dame Barbara Hay's team and my team in L.A. That's 30 staff across California supporting British companies to export.

Over—we do cover a region larger than California but that's predominantly where our focus lies. And in the year that we're in now, the year 2013-14, our teams collectively will be looking to support about 800 British companies to explore this marketplace. That might be we're physically setting up an environment. It might be advising those companies that they're not actually ready to enter the California marketplace.

We will also be deriving revenue from those companies. We charge them for our services and they pay. They want to know what it's like to do business

in the U.S., and specifically in California, and we'll probably be getting \$170,000 worth of revenue from British companies looking to export into California. We're also looking, as Priya mentioned, to get the high value opportunities out there to British companies to bid for—and we'll be looking to—we have a minimum target of 9 million pounds sterling of contracts for a British company in the next year. We also have to look to highlight these business opportunities, and over the course of the year we will want to highlight at least 160 opportunities, be they large or small, across the California business environment, that British companies could enter a supply chain, bid on contracts, or get involved.

Our colleague, Colin, is going to speak a little bit to you how we work with partners and others to help enhance the relationship. The one thing I just wanted to add was my teams at UK Trade & Investment also focus on foreign direct investment. We look to support U.S. firms to go to the UK. And this year, we'll support about 76 companies going from - not leaving California but growing through internationalization and setting up businesses in the UK. That's approximately six a month between the teams based in San Francisco and L.A. It's interesting to me that California and the U.S. generally don't offer similar services in terms of supporting British companies to come here. We talked to them about the regulatory environment; we connect them with real estate companies; we connect them with lawyers or accountants, and that's something that the committee may want to talk to us to get more information

or consider as a support mechanism for British companies looking to come here.

**MR. COLIN BROWN:** Thanks, Fiona.

Colin Brown, British American Business Council president, also a businessman on the West Coast of the U.S. I just wanted to talk to you briefly about some very practical observations that companies coming to the U.S. experience and the role of the BABC and helping them get established in California and, in doing so, hopefully point out some opportunities for you gentlemen to consider.

The BABC is the third leg of a well-formed stool that helps organizations come over. It's nongovernmental so it's a private enterprise, and it was originally founded in 1953. The original founding members were Wells Fargo, BOAC, as it was, which is now BA, and Bechtel. And so back in 1953, they were clearly thinking about international trade and wanted to establish an entity that would help businesses move to the UK but also from the UK to California. And so the same kind of organization still exists; the challenge has not gone away; and doing international business is still difficult, and we exist to help provide support services to the companies that come here and try and set up. So we have 350 members conducting business in the Bay Area, Northern California, and they range from professional services companies, such as lawyers. My colleague from Elliot & Mayock is an example. He can talk about immigration specifically. But a lot of our members are here to support new companies entering the market and, you know, if I was just to talk

briefly about what those new companies are experiencing. So they tend to have several concerns when they get on the plane and come over from the UK. A lot of them have a massive education gap that needs to be bridged and the education gap is, in our mind, the difference between them committing or not committing to doing business in the U.S. and, specifically, California.

So the main points of education that really need to be addressed systematically are their understanding of how businesses work here - so immigration is one of those. My colleague from Elliot & Mayock can talk about the immigration perspective in detail, but the other areas that we help companies address are an understanding of healthcare. This is something that is not usually to a European well understood, and understanding how that works. How you can model that into your business plan is kind of critical to being successful and it was a major- a major hurdle for people's understanding in the first instance.

Planning an environmental, the implications of doing, building new buildings, understanding how to proceed on the application of permitting process is a major headache but clearly addressable with some help, as is HR, IP law, taxation, and banking. So a lot of what organizations are looking for when they're coming here is an understanding of how to do business, and the BABC really does provide a good mechanism and some conversation was had earlier around the transparency process. And for us, this is our mechanism for helping UK companies going to drive confidence in coming over to California. So just to go back, it's clear that business happens between the UK and

California. No one points to tariffs as a reason to not do business. For us, it's a very practical process of getting people over here. And, you know, there is a cost of entering the market in California which may not be the same as other states, but people with the right help will make the jump. So it may be worth considering in looking at what the relative cost of entering the market is for different organizations. Most of our members or most of the companies coming here are professional services, software, and some product companies. And for them, the cost of entering the market is a lot lower than food, manufacturing, et cetera. So it may be worth looking at an index for the state of California at the cost of entry for different industries and, you know, making a commitment to try to drive that index down.

So, for example, the UK in the Department for Business Innovation Skills has, since 2011, had a principle that says, if you introduce a new piece of legislation for small businesses, you have to take one out. It's one in/one out. That's been so successful, that they believe they've taken a billion dollars out of the cost of doing business in the UK. And it's been so successful, that in January of this year, it was upgraded to one in/two out, so people are obviously feeling a little bit more aggressive about pulling out unnecessary legislation. But again, that has really, that has really helped change the burden of setting up businesses in the UK and it could start to address some of the challenges here in California.

I had planned two other comments but I don't want to repeat that which has been mentioned before. The only other—the point that was mentioned by

our members—was the headache of transportation around the Bay Area, and specifically the time it takes to move from North Bay to South Bay to East Bay and the lack of an integrated transportation system. And for Europeans, that tends to be an expectation. It certainly is something which, if it was addressed somehow, it would start to make California look a lot more attractive to overseas businesses. So I won't repeat what's been said before but that is my comment, so I'll hand over to my colleague from Elliot & Mayock.

**MR. MICHAEL RYVIN:** Thank you, Colin, and thank you for the opportunity to speak to the committee.

My name is Michael Ryvin and I am an immigration lawyer working in private practice for more than ten years. I've represented hundreds of European managers, executives, and entrepreneurs during this time. I've prepared some brief remarks which outline the most commonly used U.S. visa categories for this group, some of the obstacles within each category, and some of the practical day-to-day problems my clients run into, living and working in the state of California.

The U.S. visa categories most often used by European managers, executives, and entrepreneurs are as follows:

Number one, the "B-1 Business Visitor" classification. Most European countries are eligible for something called the Visa Waiver Program which allows entry without a visa stamp, something that's obtained at a U.S. consulate abroad with an application, allows entry for up to 90 days at a time. Unfortunately, entry under the Visa Waiver Program is not extendable from

inside the United States, so typically those who need to access the United States on a regular basis need to depart the U.S. and then return. Frequent travel under the Visa Waiver Program can be problematic because the more time someone spends in the U.S. as a visitor, the more difficult it becomes to successfully enter each successive time.

The second category is the “L-1 Multinational Manager, Executive or Specialized Knowledge Worker”, which there’s been some mention of. I think for the purpose of this committee, it might help to consider that the L-1s are used by both individual entrepreneurs and small businesses and big multinationals. I would say that the bulk of the problems are a fault by the individuals and small businesses. For example, a new “Office L-1” is available to facilitate the opening of a new business in the United States, one which shares common majority ownership or control with a foreign operating entity. But under the new “Office L-1” provisions, U.S. work authorization for the transferee who is often coming to direct and develop the U.S. enterprise is granted for only a one-year period. Often, a foreign national does not have sufficient time to develop U.S. operations to the extent that is needed to secure an extension of work authorization. To compound the lack of time, which practically is less than a year in most cases, by the time the time the foreign national is actually in the United States, obtaining extensions at the Immigration Service is becoming increasingly difficult. We are seeing U.S. immigration - the U.S. Immigration Service - issue onerous requests for evidence in response to extension requests—excuse me—and deny petitions

where they find that the U.S. operations have not been sufficiently developed in that previously mentioned short period of time. Bigger companies with established operations overseas and the United States are certainly not immune to problems with the “L-1” program. We are seeing increasingly burdensome requests for evidence from the Immigration Service with respect to “specialized knowledge personnel” in particular and, in some cases, denials. It’s worth noting another point on the “L-1” is that it tends to be viewed as a work-around to required wage issues. So if you’ve got a large company operating abroad and they can transfer a number or a larger number of their people to the United States, there’s no required wage like there is with an “H-1B” where it’s highly regulated and there’s—there’s a Department of Labor component there.

Next, number three, the “E-1 Treaty Trader” and “E-2 Treaty Investor” visa, both two visas, are available for certain individuals or companies who are already engaging in trade with the United States or who have invested or in the process of investing. For “E-2” investors, there is no minimum amount required, but most business immigration lawyers will tell their clients that less than 100K will result in close scrutiny and possible denial. I heard 200K and I think that sounds right, so those cases below that threshold tend to be looked at much more closely. So this is a problem for small businesses who either don’t have the six figures to invest or those who simply don’t need that much to get to the point of being operational and that’s a big problem we’re seeing with startups, that they simply don’t need that much in order to get their business

going, which is completely viable and it's started by people who are very highly credible and, again, they're faced with challenges. So in addition to discriminating against smaller investments or, in other words, businesses which do not, either do not require a large amount of startup capital to be successful, the amount of time it takes to get the visa is problematic in many cases. This complicates business plans, causes frustration, and financial loss to the investors. For example, at some consular posts, such as London, it takes at least three months to process a visa, and that is in addition to however long it takes to prepare and submit an application to the consulate for review. So you might imagine that four to five months or longer, in addition to concerns about why more funds are not being committed, might discourage an individual or company from investing in the United States. With respect to the "E-1 Treaty Trader" visa, which, by the way, is allowed for trading goods or services, a key requirement is that trade must be in existence at the time of the application. So, in other words, if your company doesn't already engage in substantial and ongoing trade with the United States, the "E-1" is not an option for you.

Number four, probably the most well-known visa is the "H-1B" for professional workers. This is a highly regulated visa category with very limited availability. For example, as of today, the earliest I could help a European professional file an "H-1B" is April 2014, April 1<sup>st</sup>, for a start date of October 1<sup>st</sup>, 2014. And as it stands now under current law, this filing is basically a lottery ticket as the demand for "H-1Bs" far exceeds the supply, making it more

likely than not that a petition will be rejected outright. In other words, it's not reviewed on the merits; it just doesn't make the quota. You might also be interested to know that current proposals for modification of the "H-1B" program are not entirely supported by AILA, the American Immigration Lawyers Association. While increasing available numbers would be beneficial, we also understand that requirements would become considerably more onerous, basically making it a very unattractive option for small businesses.

Number five, another lesser-used visa for managers, executives, and entrepreneurs is the "O-1 Extraordinary Ability" visa for foreign nationals who have distinguished themselves as being highly acclaimed or recognized in their field of expertise, such that they're one of the top few percent in their field. Again, as you might imagine, the standard of proof in this category is very high. In the field of business of proving a well-documented track record, track record of successful business ventures is essential.

On the last type of visa I will mention is the "EB-5 Investor" visa. All of the above visas that I just mentioned are temporary or non-immigrant visa categories. The "EB-5" is a permanent visa category which is otherwise known as a "green card". Unlike the treaty investor "E-2" visa, the "EB-5" does include a minimum threshold investment to qualify, either \$1 million or \$500,000 if investing in a targeted employment area or a so-called regional center which effectively pulls money from multiple foreign investors.

In any category, the granting of a visa is never guaranteed, even for those who are engaged in legitimate business endeavors. In addition, while

temporary visas allow someone to firmly plant themselves in the United States to direct and develop a business or business unit of a larger company, for example, it remains a precarious situation for the foreign national with the threat of having to depart the United States constantly looming over both business and personal decisions.

Note the “green card” is an independent process, and so a “green card” is something that allows someone to live and work in the United States indefinitely which may or may not work in any particular case. In other words, an “H-1B”, an “L-1”, an “E-2” is not permitted to live and work in the United States indefinitely without actively maintaining status and work authorization. In my experience with my clients, I found that such restrictions limit the productive activities of businesspeople and create obstacles to business development. So with respect to visa categories, the timing and logistics of securing a visa, untrained or enforcement-focused immigration adjudicators or officers, visa availability and backlogs, inexperienced legal counsel are among a number of additional challenges facing Europeans seeking visas to the United States.

With respect to the state’s specific issues, matters which might encourage or discourage a European from moving to California, I’m happy to share some examples based on my personal experience representing Europeans working in California. I should note that many of the challenges I’m aware of are not specific to California and that my counsel is limited to U.S. immigration and nationality law. In my practice, I do not advise, with respect

to tax planning or pros and cons of formation of various legal entities in one state versus another.

That said, some of the problems faced by my European clients in the state of California are: securing a driver's license in a timely manner. Extensions of status, the DMV is linked in with the immigration system and they will not issue drivers' licenses in every circumstance and it can be very challenging for people, especially for people in businesses where driving is a part of it. Cost of living in the Bay Area, banking, credit cards, mortgage loans. In just the last week, I've had to write letters for clients explaining their situation that they've submitted to banks. Commuting, both on a personal level and from a perspective of attracting lower-skilled administrative help. So, again, these are some of the practical day-to-day obstacles faced by my clients which I believe are basically typical throughout much of the United States.

So I'd like to offer what I think is a relatively simple way for interested government parties in the state of California to encourage and help foreign entrepreneurs seeking residence. In the visa categories I've mentioned, there's an examining officer with substantial discretion to approve or deny the application. In my experience, letters of support from government agencies of any kind—local or national—lent a considerable amount of credibility to the entire application and effectively tend to encourage visa issuance and approval. So I think it would help the state of California in their effort to encourage European trade to support the visa process for individuals and companies at the federal level with letters to be submitted with visa applications which

effectively make sure the United State Immigration Service understands the value of the European entrepreneur in terms of stimulating the economy and creating jobs for American workers.

I thank you for the opportunity to speak before the Senate committee and look forward to answering any questions (inaudible) for which I can comment on but I don't want to—I want to—I want to give an opportunity to (inaudible)...

**SENATOR EMMERSON:** Thank you. You brought up an interesting point on driver's licenses. We've had a number of discussions here in the State Legislature about driver's licenses.

How does one obtain a UK driver's license if you're there working on a temporary basis or you're there on a more permanent basis? Is there a process that one goes through?

**CONSUL GENERAL GUHA:** There is a process, I must submit, Senator Emmerson. I haven't done it myself for about 20 years so I'm a bit behind on the times, but I can very easily find the details of that and pass that onto you.

**SENATOR EMMERSON:** I would be interested in that. We've always looked at the California driver's license as a security document when you go through TSA, to the airport, as a security document, so it has to be tied to some event—either you're born here and you get the driver's license that way—and I was just wondering how other countries deal with that issue since the lawyer brought that up. I thought that was very interesting.

Thank you for that presentation on the visas. I think that's very interesting. That's something that we want to look at. That's been the common thread that's come up when we've had all the discussions with the various countries about doing business in California, how difficult it is, and how lengthy that process is to obtain a visa. We are looking towards forming some type of resolution that we encourage the federal government to work more proactively with us on that issue, so thanks for that information. We'll probably be back in touch with you on some more specifics as time goes by on that.

Do you have any questions, Senator?

**SENATOR BERRYHILL:** Yeah, I look forward to being part of that resolution also and I want to thank you so much for coming here today. Our relationship with the UK goes way, way back. It's very interesting to hear the problems of all these different states and countries that try to do business here in California and it fascinates me with all the talk of the regulatory burdens in California in particular. We're competing with all the other—Texas, Utah, a lot of different states, even back on the East Coast—that are very business-friendly and yet California—I don't know if it's the weather—I don't know what it is (laughter)—but people seem to want to come out here and work and live, and we appreciate that certainly and we—Senator Emmerson and myself—certainly will be, believe very much in job creation and making it easier for you folks to do business both on this side of the pond and the other side, so we

look forward to continuing to work with you in the coming months. Thanks for coming.

**SENATOR EMMERSON:** I want to introduce Senator Carol Liu, a member of our committee. She's from the Los Angeles—actually, the La Cañada/Flintridge area—and she's been busily working today.

**SENATOR CAROL LIU:** Right. I'm sorry to be late. We're in another committee but I'll add my name to Senators' comments. We're always looking for new business opportunities, so I'm glad you're here.

**SENATOR EMMERSON:** This is the UK panel, so we're going to our final panel now.

Thank you very much and we look forward to talking with you some more a little later.

Our next panel, our final panel, will be Dr. Lucie Merkle who is the executive director of the Bavarian U.S. Office for Economic Development in San Francisco; Mr. Anselm Bossacoma who is executive director of ACC10 Silicon Valley—he's with the Government of Catalonia and he's located in San Jose; and our third person is Mr. Thomas L. Freeman, a commissioner, with the Office of Foreign Trade from Riverside County. And so we'll just proceed. I think my good friend, Tom, has been taking notes about how we can get to one-stop shopping and a few things here and I appreciate that.

So, Dr. Merkle, we'll let you start. Thank you.

**DR. LUCIE MERKLE:** Thank you, Senator, the Ladies and Gentlemen, thank you so much for the invitation to this informational hearing and the opportunity to testify here.

I'd like to share some of the experience of the Bavarian U.S Office for Economic Development LLC in San Francisco. Our office is part and three parts directly to the Bavarian State Department for Economic Affairs in Munich, in Germany. Our office was established in California in 1999, and I personally have headed the office since 2005. Bavaria is Germany's largest and economically most successful state. In addition, Bavaria is one of the high-tech centers in Europe with a very strong focus on research and development in the high-tech industry. And for that reason, we have traditionally very close ties to California. Renowned companies - renowned Bavarian companies - like our BMW, for example, Audi, Siemens, the Allianz Group, which is known as the Fireman's Fund here, or the Munich Reinsurance Group. In addition, more than 600 California companies have their European headquarters and operations in the State of Bavaria, what is especially true in the biotechnology and in the IPC sector. Our companies are highly export-oriented and the U.S.A. is Bavaria's second most important trading partner.

One of the objectives of our offices is also to strengthen the ties between California and Bavaria, and we heard already a lot about regulations which sometimes are a barrier to more trade and more relations between our states. I am pretty sure that all of you have seen the different reports on business

climates which compare on a regular basis, business climate, and different states of the United States; and unfortunately, California's always somewhere in the lower end, depending on which consulting company is doing the report. For example, FDI markets, Ernst & Young, and so on are doing these reports on a regular basis.

I think we all agree that when it comes to entrepreneurship and when it comes to the quality of life, California is on top, especially for German companies. That is never a topic as was mentioned before. German companies love to be in California. They like to be here; they like the quality of life. But when it comes to Texas, to incentives and to regulations, we see, unfortunately, a different picture.

One barrier, which impedes many Bavarian companies from entering the California market place, is one which we cannot do much about. It is just the distance between Germany and the United States with nine hours of time difference. I see many Bavarian companies choosing the East Coast or locations at the East Coast for the business activities just because it's closer to home. It's easier to communicate due to only six hours of time difference and it's a more familiar European culture over there. Geographic distance is also relevant for international trade and transatlantic relations are much more present in the East than out here in the American West. That creates a specific challenge, I think, for California and also for institutions like our office to overcome that and to overcome that with a very positive business climate and to point out all the potential which is available here in the American West.

Let me start with the topic of taxation issues. For decades, Germany was always considered a high tax country in the world. For many companies which expand into the United States or have to tax their trade income into the United States, the high average tax burden for corporations is a really big surprise. While the average tax burden in Germany is now about 29.8 percent, the U.S.A. lies by 39.6 percent, and that is before California state tax, so a big difference. While making a location decision within the United States, states like Texas, Arizona, Oregon, appear much more attractive to many German companies than California. In addition—and we were talking about German “expats” in California, in addition to non-existing double taxation treaty between California and Germany, adds a special challenge here. There is a double taxation treaty on the federal level between the United States and Germany but not between California and Germany. So that means, when you have income in Germany and here, that income is taxed in California and in addition in Germany. Germany’s companies which do not really need that special “vibe” of Silicon Valley to be successful in the United States and to enter the market, unfortunately, tend to choose often low-tax locations and stay away from California, and that’s exaggerated by existing tax incentives in many other states as well as by the extremely high costs of living in California, specifically in the industrial centers, like in the Bay Area, Orange County, and Los Angeles.

A second point is, as we discussed already extensively, is the visa and immigration policy. When opening operations in the United States, like sales

offices, customer relation offices, and so on, it is really crucial for many small- and medium-sized companies to transfer one or more executives from Germany to the United States to start the business here. These individuals have an important role in setting up the business in the United States due to their knowledge of the company and the product and cannot be replaced by locals in many cases.

The availability of business visas for such individuals is a crucial issue, and we heard about all the problems regarding the H-visa, L-visa, B-visa and E-visa, and our feeling is, and that is a feedback we get from many companies, the situation has become more complicated within the last years -became much more time consuming to apply for a visa. It became unpredictable and what also adds to the cost of doing business is that it became almost impossible to file for a visa without employing an expert lawyer here in the United States. And with all the additional proofs for evidence, it increases the lawyer bills by a lot. And I personally witnessed several cases where, especially smaller companies decided, after visas were declined against an expansion in the United States market but went, for example, to Canada where it seems to be easier. For example, we had one case where the company decided they'd do the American business out of Vancouver instead because there they got a visa, it seems, without trouble whereas they had a visa declined here.

I don't want to go into more detail because we heard, I think, in the last panel, a lot about visas. So let me, so to say, finish by pointing out also how important location marketing is for a state - location marketing abroad.

California and Bavaria are very similar. California has a worldwide reputation and is very well known to potential investors. Silicon Valley has a worldwide reputation, so companies know California. That is a big advantage when it comes to attracting companies to do business here. But nevertheless, many other American states competing with California for FDI and trade are highly successful in their work through their strategic marketing campaigns. For example, the states - Florida, South Carolina, Georgia, Washington, or Virginia operate foreign offices in Munich which guide German investors and trade partners into their states. They organize, for example, targeted marketing campaigns, they assist companies in all stages of the location process in cooperation with their local partners. They show products of those states in the area where they are located, and they are constantly present at industry and business events.

We were discussing a lot about regulation. What these offices sometimes also do, they really take potential investors, so to say, by the hand and help them to go through that “regulation channel”, I would even call it, because companies face regulations on the federal level, they face regulations on the state level, and in addition, different regulations in the counties and in the cities. These offices really help them to find the right contact person to help them, to go through the forms, to fill out the forms, and to open some doors. And that is a big advantage for those companies, and combined with the fact that maybe a representative of Georgia, South Carolina, and so on is the first persons they meet in Germany. It is kind of—sure, they will also see the

market potential, but it helps a lot to draw attention to their states and that's what I would like to point out, and I am sure that it would help California also to, let's say, to improve the (inaudible) in the investor's community for the business climate, for the opportunities to help these offices in foreign countries. Other states go different ways. I mean, it is also important to do, for example, trade missions and so on. I know Texas is at least once a year in Munich with a big trade mission to point out the business potential there, to meet with companies. They do seminars and so on and it is just also important to spread the word.

I would like to end with those more "soft facts" which are important for putting down barriers for international business and like to thank you for your attention.

**MR. ANSELM BOSSACOMA:** Good afternoon. Senator Emmerson, Berryhill, and Senator Liu, and Mr. Miller, thank you very much for having us here today. It is an honor to be here and to be able to be part of a process, perhaps to influence, or to help improve, the competitiveness of the state of California. I want to give a brief introduction about Catalonia, just to position ourselves, and then I'll just go to specifics in terms of regulations.

Catalonia is a very small country. It's the size of Denmark. It's populated by 7.5 million people. Its GDP is about 300 billion U.S. dollars. It's currently governed as an autonomous or a semi-devolved government system within the Kingdom of Spain and the major industries are trade, tourism, IT, engineering, life sciences, petro-chemicals, pharmaceuticals, agri-food.

Catalonia has a climate and a geography that's very similar to California. And Barcelona is a city that, just like Los Angeles or San Francisco and many places in California, is very attractive and it's a desirable place for people to go and live and work. This is why California and Catalonia have had an historic relationship that goes back centuries. But also more recently, in 1986, the (California State) Senate and the Parliament of Catalonia have had a "sister-ship" agreement. Ever since, there have been trips between different legislators, going back and forth. And as a result of that, in 1989, we've opened our first trade office here in California. It was the first trade office from any part of Spain open in California.

A lot has happened between the two regions and I'm going to focus and mention just that Catalonia investments in California today employ thousands of people, roughly about 2,000 people, as of today. In the last 25 years, about a billion U.S. dollars have been invested here. And industries that Catalan businesses invest the most are life sciences, agri-food - including wine production - IT, automotive, and public works and infrastructure and civil engineering.

I was appointed director of the office in 2005, so over that time I've supervised over 200 market-entry projects. Our office has a dual role, which is to attract foreign direct investments to our region, but 80 percent of our activity focuses on helping our companies do business here and establish themselves here. So, out of those 200 market-entry projects, about 40, around 40 companies, have been established here in California, which the total

number of Catalan companies in California now represent about three-quarters of the Spanish companies in California.

It is sad sometimes that unfortunately I see many, many businesses trying to steer away from investing in California; just if they can, they will invest in another state. But there are specific things about California that make it possible or make it very desirable for these businesses and that surpasses the high cost of doing business in California, which is the fact that they have a great environment with great talent and partners and, of course, a very desirable place to be.

The specific issues affecting one of the most issues that affects some of our businesses is workers' compensation and labor regulation. I pretty much would say that nine out of ten businesses complain about that. It seems that those businesses that have warehouses or places of high risk seem to have the most trouble, and those generally represent companies that actually—they start here as distribution centers first and they import their products that are manufactured either in Catalonia or some other country—China, many times—and then they realize, that by being in California, it's too large of a cost so they move out of the state, and this is the case of a company that actually designed and distributed parts from here. Not everything was coming from China but a lot of the work started being processed here and they relocated to Nevada, and some of the 30 employees actually relocated along with them. And according to the CEO of the company - I don't know if it's factual or it's

exaggeration or not - that within the first year, just with the cost of savings with workers' compensation, they amortized the cost of moving.

One issue that seems to be problematic when it comes to workers' compensation and labor regulation, and it's the opinion of most of our companies, is that regulation versus labor regulation versus other states seems to be very lenient towards the employee which causes a lot of high costs when it comes to resolving employer/employee issues which is also related to workers' compensation.

Another issue regarding labor is, for some of our companies, especially in the technology world, in the technology sector, where they go into the energy sector, they have problems actually being able to deliver on their contracts because they are forced to use union labor, even though their companies are under 15 employees and their technology component is actually very small and maybe it goes into a solar plant or a PV plant or a wind plant and they're still forced to use union labor even though they're very small. It becomes very bothersome to them.

Environmental laws. There are a number of companies—and it's normally in the agri-food and the energy and manufacturing industries that complain about difficulties with environmental laws. Some of the complaints are—we've already heard before—several agencies that they have to go through, compliances that seem very complicated to fulfill. Many times they say that a solution is that in many other places they find that industry self-regulation

seems to work just fine in partnership with authorities, and that here in California it just seems impossible.

Talking about ports, talking about ports. The reality of it is, that when we have a company that wants, that needs, to use ports in California, in many cases, these companies actually manufacture in China and they bring products here. Sometimes they finish the products here. They find final processing here. They now choose to go, mostly in the last few years, they choose to go, to Texas. This seems to be simpler for them. And one example, actually, that I will cite is that—and this was maybe a couple of years ago—is a company that actually, we were—they had a distributor—they had several distributors around the United States and they were consolidating processes. This company actually makes mining equipment. A lot of that is actually made in Asia, but they have distribution centers around the world and the products are finished here. This company actually decided to go to Houston because the main carrier, the shipping carrier that they were using all of a sudden ceased operations in California ports due to a very complicated, difficult environmental regulation. The company actually is one of the most environmentally-friendly companies in the world; and by your smiles, I think you know who I'm talking about. But, yeah, that moved, a whole distribution center, that ended up in Houston with about 30-plus employees working there.

Another issue that we find—and I don't know if some of my colleagues—I haven't heard that one. I mean, it's not that bad but I mean, it's just interesting to see that company formation in California seems to be very, very

complicated - not only complicated but costly. So when we have to form a company in California, we are faced either—we're paying extremely high fees—I mean, very unreasonable, like hundreds and hundreds of dollars, triple, or four times more than something that in another state is very cheap because they have to pay for expedited fees so that they can be processed within a week, two weeks. If we pay the \$100 Secretary of the State fee to register a business in California, it will take about two months to get that company registered, so this means we would have to wait two months to hire employees, open bank accounts and so on.

It's important to note that many of the companies that come here, they come here not only to sell to the United States but many times to do development in the United State, to produce in the United States. But when, like I said before, when faced with costs of revenue and production, many times they separated too when they just set up one shop here and another shop in another state when it makes sense to just be, to have those operations in another state.

And let me cover visas. Let me talk a little bit about visas. I'm not going to go over all the details because I think our counsel here made a very good, did a very good job at it. But some particular problems that we faced, for instance, is, besides being a very expensive and a very uncertain process, we didn't understand why visas need to be renewed every year or every two years, so quickly. Renewing a visa costs just as much as applying for a new visa. Many of our companies end up having to go to Madrid. And now I think about

it, I mean, Barcelona and Madrid are about a distance between L.A. and San Francisco. It's just about the same distance. It's a \$500, \$400 to \$500 trip for an individual if they have to go to renew that visa or apply for that visa in Madrid. We have a wonderful consulate in Barcelona. But for some reason, the Barcelona consulate, the U.S. consulate in Barcelona, cannot do interviews for visas. I would hope that this could be done at some point and it would save a lot of money and time to some of our applicants.

Another issue of visas is that some of these executives that come here, they travel a lot, back and forth, and so they go to their headquarters. But when they come into the U.S., they are faced with one hour long, waiting, just to get their passport checked. Sometimes this is just after 15 hours flying, having to wait for an hour, standing in a line, it's just maybe something could be done about that. Sometimes they miss connections. So if they fly, let's say, to Dallas/Fort Worth, which is a big airport, you know, if the line is too long, they will miss their connection and they will have to stay one day in Dallas, for instance. So it's very bothersome.

Overall, I just wanted to say that California is a very desirable place. I mean, people will continue to come here with their business. Even if the environment, the regulatory environment, is not that favorable, people will always like to come here. Like I said before, there are partners, there are things to do in California. But another issue that is also affecting individuals is the high taxation of the state, so some of the executives that have actually been here for many, many years have started a successful, have established a

successful business. They've invested money here; they've hired people here. You know, they find themselves like, well, maybe I should just move to another state—personally, because even my personal income gets taxed at a very high level, by just being in California.

Lastly, what I wanted to mention is, when we discuss trade, sometimes we forget that a lot of the trade is made possible thanks to R&D, through development of an innovation and the role of entrepreneurship. There's no visa to date for an entrepreneur to come here and give it a try. There is nothing covered for them. And like counsel mentioned before, they can apply for any E-visa. The requirement of investment is way too high for an entrepreneur. And we lack R&D agreements. Some companies are doing, some of our companies have access to EU funds, to do research and development projects, but then they find it very difficult to sometimes establish a partnership to do R&D here with U.S. funds, even though there is funds from both sides of both governments so that's another issue that we could fix or facilitate.

I just want to say that I've been in this country, in California, for 17 years. I love Catalonia because I come from there but I also love California, so my goal is to the promote success and prosperity of both regions. Thank you.

**MR. THOMAS L. FREEMAN:** Good afternoon, Senator. Tom Freeman, foreign trade commissioner, County of Riverside.

First, I want to commend you for holding these hearings. I think this is very important for the senators and for the opportunity for diplomats from all EU member countries and others that are here today because we need to

strengthen those ties. And as I listen to the representatives of each of those countries present today, I looked in my Rolodex of investors in our county. Riverside County is California's fourth largest county and we're home to Senator Bill Emmerson, so we're very lucky to have you serving in this committee. But if we look at Belgium, for instance, six businesses have been created in our county with 76 employees in a \$4 million annual payroll. And as I go down a short list, England, 56 companies, over 1,100 employees, \$45 million in payroll; France, 32 companies, 400—excuse me—949 jobs, \$26 million in payroll; Germany, 23 companies, 429 employees with a \$20 million payroll; Luxembourg, 37 businesses, 318 employees, \$14 million; Netherlands, 24 companies, 406 employees, \$16 million; Italy, 8 companies, 116 employees, an annual payroll of \$3 million. Our friends in Croatia, which recently, on July 1, were admitted to the EU, they have two companies with 25 employees and \$2 million. And Switzerland, they have been with us many, many years through Nestle distributorships they have there—they have 22 business now—519 employees with a \$21 million payroll. As we start looking around the state of California, that's just a small cross-section of the importance of foreign direct investment. Our board of supervisors embarked on this program four years ago, and we've seen tremendous international corporate investment and individual investment.

I'll fast forward to the "EB-5" visa program which right now is extremely important to all Californians. All 58 counties have "EB-5" investors in them. These EB-5 investors have been the gap funding. As the banks cracked down

on getting loans, following the implementation of Dodd-Frank legislation in Washington, the “EB-5” investor program that has been through various presidential administrations, both Republican and Democratic, has been the key funder. Riverside County is the home to the most “EB-5” centers in the United States. It has that distinction because our investment numbers are the lowest cost; \$500,000 investment equals a visa. And as the attorney mentioned earlier, that is a permanent track to permanent residency and eventual citizenship. But more importantly, it requires the investor to create ten new jobs. And each time we see an “EB-5” investor come into our county, today our total is \$1.8 billion in capital. That is nothing to be sneezed at and it comes from international investors from the EU and other countries that we’re not talking about today but we’re grateful to have that investment, but it does create jobs. And today, we face an 18-month backlog with the federal government on moving these funds and approval of these funds. And if there’s one thing that will kill job growth faster than anything, it is a federal regulatory agency that will not move. And those investors have other states they can go to and they have other business opportunities in other countries that they can invest in. They want to invest in California; they want to be in Riverside County. Yet, the federal government drags its feet; and for 18 months, that’s what it takes us to process a standard application.

In your district, Senator Emmerson, we have two new businesses coming in, \$14 million of investor capital from overseas, and we can’t move a dime of it yet because for 18 months, the federal government has been reviewing the

application process. Originally, when we started this program four years ago, we thought nine months was horrible. Now it's 18, which also is symbolic of the success of the program, so success has caused some foot dragging.

The last area I would ask the State Senate's support in is, when we look at the opportunity to expand trade with our other countries, particularly within the EU—we have a new agreement coming up—negotiations start soon—the state has not always engaged in these opportunities of support, trade relationships. And as the county Board of Supervisors has done in Riverside, we've supported every single free trade agreement since 2004 that's been proposed and we spent lobby money doing it in Washington with our lobby team, and it would be great to see the State Senate followed by the Assembly passing those concurrent resolutions that can help encourage your congressional delegation to get behind these negotiations and insist that the U.S. trade representative and the administration move these things quickly. Some of these trade agreements have taken 15 years to negotiate and a lot of businesses lost in that time. A lot of unnecessary tariffs were paid. And if you just looked at the trade agreement that we just finally moved with South Korea, most of the tariffs will be gone in the next three or four years that prohibited your manufacturers from sending products into South Korea in a competitive market. So those things that you do here are very important.

Lastly, I would ask you to continue to work with the diplomatic corps. Our consuls general and our trade commissioners from these other countries are very important and oftentimes, unlike other states, California, at the

executive level, doesn't give the consulates general - the diplomats - the same reception. And I know this is a busy state, but it would be great to see the work that you have done, Mr. Chairman, expanded, including into the Assembly and to the executive of the State, our Chief Executive, be more engaged with diplomatic relations because it's vital to the economies of every city, over 400 of them, and the 58 counties of California to have a fully engaged chief executive in the legislative branch in trade policy.

On behalf of the Board of Supervisors of the County, thank you, Mr. Chairman, for your outstanding job and your leadership on this issue.

And, Senator, thank you as well.

**SENATOR EMMERSON:** Thank you very much.

I appreciate the comments today. You've given us a lot to work with here, and it is our intent to pass some resolutions through the State Legislature onto the federal government to take care of the backlog of the visa problems, as well as other regulatory issues that have been brought up today.

I just kind of want to go over and summarize a little bit about what we talked about today.

On the regulatory side with the automobiles, our friends from the Benelux nations brought up the fact that automobiles should have the same testing, the same safety issues in the United States as they have in Europe so that we don't have two different manufacturing processes. My wife happens to drive a Belgian Volvo and my friend here drives a Belgian Volvo, I believe, so we know the Chevrolet Cruise now is a product that was developed in Germany.

There should be a much easier trade on vehicles so that all the regulatory processes that go into those products should be the same here as well as in Europe.

The visa issue is well known and we need to address that issue and we will.

Someone brought up the issue on the one-stop shopping issue, that when countries need to interface with our local, state, and federal government, that we should make it much easier for the trade back and forth.

On the financial issues, taxations and fees, it's obvious we need to do some evaluation there as well.

The issue about trade missions and trade offices, I think, are very important and that's something we should take a look at.

I have no other comments. We do have a reception upstairs that's directly above on the second floor—it's Room 211. We encourage all of you to come there. We have one of Sacramento's finest young chefs who will be catering it for us, and I'd like to continue the conversation there.

Any comments?

**SENATOR BERRYHILL:** Again, I want to thank everybody for coming here today. Many of these issues today that we talked about are federal issues. Having said that, we've got a lot of friends in Washington, D.C.

**SENATOR EMMERSON:** Not as many as we need.

**SENATOR BERRYHILL:** Not as many as we need maybe, but Mr. Chairman, I think that clearly today, there are a lot of reasons to go over to

Europe and visit some of these countries and see how they work firsthand. But, you know, this whole international trade really fascinates me. I had an opportunity in the mid-80s to go with Governor Deukmejian over to Japan with my father, Clare Berryhill, who was Secretary of Agriculture at the time, strictly on a trade mission to knock down tariffs and to open markets. And, you know, that was a long time ago and the whole world has shrunk a lot since then. So it's really, as it is here in Sacramento, it's all about relationships that we build; and I think, the more that we communicate, obviously today there was a lot of common denominators that, when we talked about barriers, tariffs, visas, as the chairman mentioned, I think are things that Congress should work on and certainly we are all interlinked here globally. And anything that the chairman and I can do to move the process along, we are more than happy to do that and really look forward to the reception tonight and to get to know everybody a little bit better. So thank for coming. We appreciate it.

**SENATOR EMMERSON:** With that, thank you very much. You gave us a lot of information. You're going to hear more from us. We've had a number of conversations over the past few months and I want to congratulate the EU for getting their 28<sup>th</sup> member yesterday, and let's go upstairs and have a nice time.

Thank you so much. This meeting's adjourned.

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